

Registered number: 03693527

DONNA KARAN MANAGEMENT COMPANY UK LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2005**

TUESDAY



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DONNA KARAN MANAGEMENT COMPANY UK LTD

COMPANY INFORMATION

DIRECTORS	P Kalberer X De Royere (resigned 15/03/2006) J M Aronsson (resigned 05/01/2007) M Weber (appointed 06/01/2007)
SECRETARY	Jordan Company Secretaries Limited
COMPANY NUMBER	03693527
REGISTERED OFFICE	27 Old Bond Street London W1S 4QE
AUDITORS	Horwath Clark Whitehill LLP Chartered Accountants & Registered Auditors 10 Palace Avenue Maidstone Kent ME15 6NF

DONNA KARAN MANAGEMENT COMPANY UK LTD

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DIRECTORS' REPORT
For the year ended 31 December 2005

The directors present their report and the financial statements for the year ended 31 December 2005.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In determining how amounts are presented within items in the profit and loss account and balance sheet, the directors have had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the company during the year continued to be the provision of assistance to fellow group companies in relationships and contacts with European suppliers, and with other general commercial advice as required. This activity is expected to continue for the foreseeable future.

The performance of the business in the year is in line with the directors' plans.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £50,126 (2004 - Loss £172,058) .

The directors do not recommend the payment of a dividend.

DIRECTORS

The directors who served during the year were:

P Kalberer

X De Royere (resigned 15/03/2006)

J M Aronsson (resigned 05/01/2007)

M Weber (appointed 06/01/2007)

AUDITORS

The auditors, Horwath Clark Whitehill LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

DIRECTORS' REPORT
For the year ended 31 December 2005

This report was approved by the board on 5 February 2007 and signed on its behalf.

P Kalberer
Director



DONNA KARAN MANAGEMENT COMPANY UK LTD

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DONNA KARAN MANAGEMENT COMPANY UK LTD

We have audited the financial statements of Donna Karan Management Company UK Ltd for the year ended 31 December 2005 set out on pages 5 to 10. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the Directors' Report is not consistent with the financial statements. In addition we report to you if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

DONNA KARAN MANAGEMENT COMPANY UK LTD

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DONNA KARAN MANAGEMENT
COMPANY UK LTD

OPINION

In our opinion:

- ✦ the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended;
- ✦ the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- ✦ the information provided in the directors' report is consistent with the financial statements.


Horwath Clark Whitehill LLP

Chartered Accountants
Registered Auditors

10 Palace Avenue
Maidstone
Kent
ME15 6NF

5 February 2007

DONNA KARAN MANAGEMENT COMPANY UK LTD

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2005

	Note	2005 £	2004 £
TURNOVER	1, 2	634,068	590,071
Administrative expenses		<u>(684,194)</u>	<u>(762,129)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(50,126)	(172,058)
TAX ON LOSS ON ORDINARY ACTIVITIES		-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(50,126)</u>	<u>(172,058)</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2005 or 2004 other than those included in the profit and loss account.

The notes on pages 7 to 10 form part of these financial statements.

DONNA KARAN MANAGEMENT COMPANY UK LTD

BALANCE SHEET
As at 31 December 2005

	Note	2005		2004	
		£	£	£	£
FIXED ASSETS					
Tangible fixed assets	5		-		-
CURRENT ASSETS					
Debtors	6	1,496,349		1,022,196	
Cash at bank		-		6,136	
		<u>1,496,349</u>		<u>1,028,332</u>	
CREDITORS: amounts falling due within one year	7	(848,412)		(263,036)	
			<u>647,937</u>		<u>765,296</u>
NET CURRENT ASSETS			647,937		765,296
TOTAL ASSETS LESS CURRENT LIABILITIES			647,937		765,296
PROVISIONS FOR LIABILITIES AND CHARGES					
Other provisions	8		(318,756)		(385,989)
			<u>329,181</u>		<u>379,307</u>
NET ASSETS			329,181		379,307
CAPITAL AND RESERVES					
Called up share capital	9		2		2
Profit and loss account	10		329,179		379,305
			<u>329,181</u>		<u>379,307</u>
SHAREHOLDERS' FUNDS - All Equity	11		329,181		379,307

The financial statements were approved by the board on 5 February 2007 and signed on its behalf.

Director 

The notes on pages 7 to 10 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and are prepared in accordance with applicable accounting standards.

1.2 Cash flow

The company has taken advantage of the exemption in Financial Reporting Standard No.1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1.3 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of Value Added Tax and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

L/Term Leasehold Property	-	over the lease term
Fixtures & fittings	-	7 years

1.5 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on the straight line basis over the lease term.

1.6 Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

1.7 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating loss.

1.8 Tenants inducements

Amounts received are credited to a deferred income account and amortised over the term to the first rent review in the lease.

2. TURNOVER

The whole of the turnover is attributable to the company's principal activity.

All turnover arose within the United Kingdom.

DONNA KARAN MANAGEMENT COMPANY UK LTD

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005

3. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	2005	2004
	£	£
Depreciation of tangible fixed assets:		
Operating lease rentals:		
- land and buildings	257,745	16,000
Difference on foreign exchange	-	(3,647)
	257,745	12,353

During the year, no director received any emoluments (2004 - £nil).

Auditor's remuneration has been paid by a fellow subsidiary undertaking.

4. STAFF COSTS

Staff costs were as follows:

	2005	2004
	£	£
Wages and salaries	258,424	297,234
	258,424	297,234

The average monthly number of employees, including directors, during the year was as follows:

	2005	2004
Management and administration	5	6
	5	6

5. TANGIBLE FIXED ASSETS

	Leasehold improvements	Furniture, fittings and equipment	Total
	£	£	£
Cost			
At 1 January 2005 and 31 December 2005	202,474	13,303	215,777
	202,474	13,303	215,777
Depreciation			
At 1 January 2005 and 31 December 2005	202,474	13,303	215,777
	202,474	13,303	215,777
Net book value			
At 31 December 2005	-	-	-
	-	-	-
At 31 December 2004	-	-	-
	-	-	-

DONNA KARAN MANAGEMENT COMPANY UK LTD

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005

6. DEBTORS

	2005	2004
	£	£
Due within one year		
Amounts owed by group undertakings	1,445,144	1,017,092
Other debtors	50,698	-
Prepayments and accrued income	507	5,104
	1,496,349	1,022,196

7. CREDITORS:
Amounts falling due within one year

	2005	2004
	£	£
Bank loans and overdrafts	93,333	-
Trade creditors	-	765
Social security and other taxes	414,457	145,861
Other creditors	-	100,411
Accruals and deferred income	340,622	15,999
	848,412	263,036

8. PROVISIONS

	Onerous lease provision £
At 1 January 2005	385,989
Amounts used	(67,233)
At 31 December 2005	318,756

Onerous lease provision

In 2004 the company left its former premises and was only able to sublet them at a reduced rate. The provision therefore reflects the excess of rent payable over rent receivable in respect of these premises until the lease expires in 2011.

9. SHARE CAPITAL

	2005	2004
	£	£
Authorised, allotted, called up and fully paid		
2 Ordinary shares of £1 each	2	2
	2	2

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005

10. RESERVES

Profit and loss account	£
At 1 January 2005	379,305
Loss retained for the year	(50,126)
	<hr/>
At 31 December 2005	<u>329,179</u>

11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2005	2004
	£	£
Loss for the year	(50,126)	(172,058)
	<hr/>	<hr/>
	(50,126)	(172,058)
Opening shareholders' funds	379,307	551,365
	<hr/>	<hr/>
Closing shareholders' funds	<u>329,181</u>	<u>379,307</u>

12. RELATED PARTY TRANSACTIONS

The company has chosen to take advantage of the provisions of Paragraph 3c of Financial Reporting Standard 8 "Related Party Transactions" and has not disclosed transactions with fellow group companies.

13. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Donna Karan Company Stores UK Holding Limited.

The directors consider the ultimate parent undertaking to be LVMH Moet Hennessy Louis Vuitton SA. LVMH Moet Hennessy Louis Vuitton SA is the parent undertaking of the smallest and largest group in which the financial statements of the company are consolidated.

Copies of these financial statements can be obtained from 22 Avenue Montaigne, 75008 Paris, France.